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RUEHBJ/AMEMBASSY BEIJING 1920
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SUBJECT: JAPAN RELENTING ON CAP-AND-TRADE?

Classified By: Ambassador J. Thomas Schieffer, Reasons (b) and (d)

11. (SBU) Summary: The Ministry of Economy, Trade and Industry (METI) has confirmed recent press reports that it formed a task force to prepare recommendations for a possible cap-and-trade system in Japan. The influential Japan Business Federation (Nippon Keidanren) came out in support of the study as well. While working level METI officials deny the move represents a change in GOJ policy, it is a new step for METI, long the strongest opponent of cap-and-trade in the GOJ. End summary.

12. (C) Japanese press reported February 20 that METI had formed a task force to prepare recommendations for implementing a cap-and-trade emissions reduction scheme in Japan. While accepting domestic emissions reduction commitments under the Kyoto Protocol, Japan has no mandatory domestic emissions trading system and has opposed mandatory national caps for a successor treaty. Emboffs contacted METI Global Environmental Affairs Deputy Director Susumu Okamoto, who denied this step is a policy change for METI or for Japan. Okamoto insisted METI has always said such measures "should be considered." He pointed out the task force has no deadline for making a report, and could ultimately recommend voluntary cap-and-trade, alternative measures such as a carbon tax, or make no recommendations at all. Nevertheless, Okamoto acknowledged this is the first time METI has gone as far as a formal study of a domestic cap-and-trade system.

13. (SBU) In another departure, Fujio Mitarai, head of Canon and Chairman of Keidanren, told the press February 21 it is "important to discuss" cap-and-trade. The press portrayed the move as significant, since Keidanren has consistently opposed cap-and-trade and has strongly influenced METI's stance. Further reports February 25 said Keidanren will begin collecting data in March on possible emissions cuts for

different industries, in hopes of getting the GOJ to use its data to set targets. Keidanren hopes as well to recommend a specific mechanism by April. The business organization still wants any targets to be nonbinding, but is under pressure since Keidanren's Voluntary Action Plan (a sector-based scheme for improving energy efficiency) has not made a dent in Japan's growing emissions.

14. (SBU) Comment: METI long opposed cap-and-trade -- and generally carried the day in GOJ interagency debates -- because of the powerful influence of Japanese industry and Keidanren. It is unclear when the task force will produce a report or what it will contain. However, the development follows other subtle indications of movement within the GOJ. Japan's delegation to December's UN climate conference in Bali was headed by an Environment Minister who has made comments in favor of Kyoto-style commitments in the press. Japan's chief negotiator on climate, who is a special advisor to the prime minister, has made statements more in line with Kyoto. The Foreign Ministry's DG covering climate change has repeatedly stated his opposition to the EU's approach on cap and trade, but has expressed concern as well that the EU approach could carry the day for a post-2012 framework. METI's formation of a cap-and-trade task force may be an indication the GOJ is looking at various options as international discussions of energy/climate change proceed. End Comment.
SCHIEFFER